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CENTRAL INTELLIGENCE AGENCY

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FAR EAST

1. Soviet pilots from East Germany arrive in Manchuria for combat:

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25X1 [redacted] a group of 100 Soviet jet pilots, ranging in rank from captain to lieutenant colonel, arrived in Mukden in late September. These pilots allegedly were drawn from Soviet Air Force units in East Germany and were scheduled to return there after a two-month combat tour in Korea.

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The US Far East Air Force comments that "it had been assumed on the basis of fluctuating tactics and markings of aircraft that units were being rotated. . . ."

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3. Army Attache comments on Burma's security problem:

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The US Army Attache in Rangoon believes that Burmese Communists are capable of capturing Mandalay within forty-eight hours. He believes, however, that a more serious threat to the government is the possibility of a Communist attack in the north coordinated with a Karen campaign in the south.

Comment: The Attache's estimate of the vulnerability of Mandalay to Communist capture accentuates the weakness of government forces in north-central Burma. It also emphasizes the necessity of a government rapprochement with the Karens before control of upper Burma is entirely lost.

SOUTH ASIA

4. Pakistani Government maintains stability:

The US Embassy in Karachi reports complete calm prevailing in Pakistan following the assassination of Prime Minister Liaquat Ali Khan. It notes the absence in the press of any incitement to violence and states that an alert of the Pakistani armed services was canceled within two days after the assassination. Finally, the Embassy remarks that the choices of Ghulam Mohammad and Khwaja Nazimuddin as the new Governor-General and Prime Minister are the best possible under the circumstances.

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[Redacted]

Comment: It appears that the Pakistani Government has retained control of the situation for the time being and that there is little immediate danger of war either with India or Afghanistan.

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7. Middle East Command a target of Cypriot Communists:



Increased Communist activity on Cyprus is designed not only to create unrest and embarrass the British but also to create the impression that Cyprus is politically unsuitable for the Middle

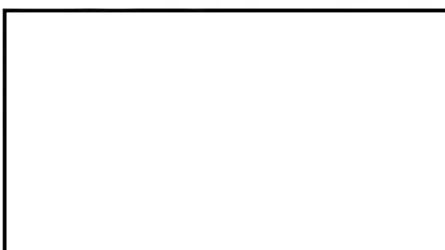
East Command Headquarters. The US Consul on Cyprus, who expressed the above opinion, reports that the Communist Party and the Nationalist Party are both renewing agitation for the union of Greece and Cyprus.

Comment: The recent visits of British and American military missions and the Egyptian refusal to participate in the Middle East Command have resulted in widely spread rumors to the effect that Cyprus will become a major Western base. The Cypriot Communists have long campaigned for the union of Greece and Cyprus, an issue on which they can gain the support of most Cypriots and most Greeks.

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WESTERN EUROPE

8. Austrian manufacturers deliver embargoed ball-bearings to Poland:



The US Legation in Vienna reports that the Steyr works delivered to Poland 100, 000 dollars worth of embargo-type ball-bearings during the months

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of August and September and will deliver a large quantity of such types during October. Deliveries of embargoed items constitute 50 percent of total deliveries for the first two months and far exceed the quota governing such shipments.

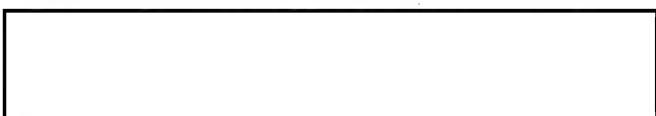
The Austrian Foreign Office asserts that the excessive deliveries were necessary because Western orders had absorbed Steyr capacity in non-embargo types, and the filling of Polish orders was necessary if Polish coal is to be received.

The US Legation shares the concern of the Austrian Government that Polish coal will be cut off unless Austria meets its total commitments and approves a still-pending contract involving further large shipments of embargo-type bearings.

Comment: Pending a survey of alternative sources of coal, the Austrian Government and the US Legation agreed last August that the Austrians might accept sufficient ball-bearing orders to persuade the Poles to begin coal deliveries -- with the stipulation that only distant delivery dates would be authorized and that actual embargo-type deliveries would not exceed 10 percent of the total. Grave political repercussions will probably result if there is a failure of coal deliveries during the winter months.

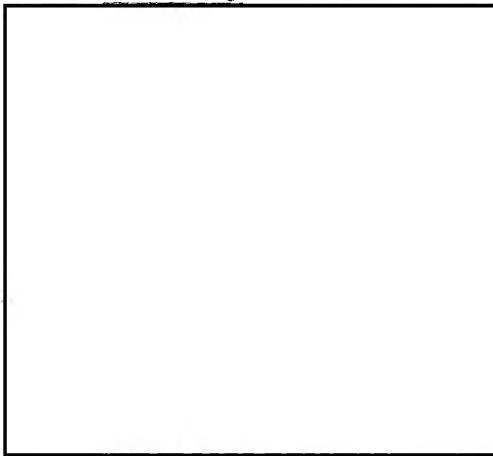
9. SHAPE opposes approach to Austria on military plans:

The Commanding General of US Forces in Austria has been advised by SHAPE of its concern that any approach to the Austrian Government with respect to an Austrian military contribution in the event of hostilities might compromise the security of Western defense plans. Any disclosure of an intention to include Austria in Western planning would provide the USSR with a propaganda weapon on the occasion of the reconvening of the Austrian treaty deputies. Furthermore, an approach to the Austrian Government would appear to require prior Anglo-French approval on a diplomatic level.



Comment: Vienna, under four-power occupation, does not provide sufficient safeguards for the protection of high military plans. Soviet-sponsored and Communist newspapers have already charged that Western occupation forces in Austria receive their commands from General Eisenhower. An approach to the Austrians now on military plans could jeopardize the chances for conclusion of a state treaty, which is the prerequisite for any substantial Austrian contribution to Western defense.

10. Soviet harassment in Berlin viewed as move to speed shipments to East Germany:



American officials believe that the continued Soviet harassing of West Berlin is probably aimed specifically at the East-West German talks scheduled to begin on 23 October on iron and steel deliveries. East German press and government circles have violently accused the West Germans of delaying tactics in the current series of East-West German discussions on implementing the trade pact.

It has been suggested by US authorities that the 23 October talks be postponed, and no agreement be reached with the East Germans until they actually abandon various harassing measures as agreed at the time of the signing of the trade pact. So far the British and French continue to show reluctance to take strong counter-action.

Comment: Twice in the past week, the USSR rejected large numbers of West Berlin export permits. French and British reluctance to take counter-action may arise partly from the belief that the effect on the Berlin economy of the various harassing measures has not been extremely serious, as well as from a general unwillingness at this time to challenge the Soviet right to control Berlin exports.



11. Deteriorating French financial situation threatens NATO interests:

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[Redacted]

The US Ambassador in Paris is "increasingly concerned" over the deteriorating French financial situation and over the "prevailing resentment" of French officials because of the delay

in holding US-French talks on assistance. The Ambassador proposes immediate consideration of interim assistance pending the completion of a NATO committee analysis, and urges that the proposed talks begin at once, since uncertainty on the type and extent of aid will force the French Government into actions "that may well be injurious to NATO interests."

Comment: France wants definite US commitments as a basis for defense expenditures under the 1952 budget. Because of unfavorable economic trends in France and the probability of early devaluation of the franc, it now seems increasingly unlikely that France will be able to meet its defense commitments.

[Redacted]